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News Release Communiqué



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Minister des Finances
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PROVINCE FORECASTS \$1.4 BILLION SURPLUS

TORONTO – Finance Minister Ernie Eves today announced that the Ontario Government is projecting a \$1.4 billion surplus this year. Eves said \$1 billion of the surplus comes from the elimination of the Province's reserve and will be applied toward Net Provincial Debt reduction.

"Due to the strong performance of Ontario's economy and our government's robust revenue performance, we are now able to invest in priority areas such as healthcare and at the same time reduce the province's debt," Eves said.

Eves also announced in his annual Fall Economic Statement that the Ontario Government would accelerate the pace of capital gains rate reductions to 50 per cent retroactive to October 18, 2000.

"In the 2000 Budget we challenged the federal government to follow our lead on reducing the capital gains inclusion rate from two-thirds to 50 per cent. The federal government responded to our challenge. To ensure that Ontario taxpayers obtain the full benefit of this move, we will now be implementing the 50 per cent inclusion rate effective October 18, 2000," Eves said.

In the 2000 Budget, Eves also challenged the federal government to match Ontario's support of the province's mining sector with bonus deductions for purchasers of flow-through shares.

"Ottawa has met our challenge by proposing a flow-through share tax credit for the mining industry. To ensure maximum benefit to Ontario's northern communities, effective October 18, 2000, we propose to introduce a flow-through share tax credit of 5 per cent," Eves said.

Eves said, while it's heartening that the federal government has acted on these initiatives, it has yet to respond to one of Ontario's most significant challenges -- the implementation of the Ontario Research Employee Stock Option Credit (ORESOS).

ORESO is designed to improve Ontario's competitiveness as a place for researchers to locate and conduct their work. It would allow that the first \$100,000 each year in taxable employment benefits and capital gains arising from stock options not be taxed by the Province of Ontario.

"If the federal government remains unwilling to act in the taxpayers' best interest by promoting administrative efficiency through a fair and reasonably-priced, harmonized administration of ORESO, Ontario will have no choice but to establish the capacity to provide this benefit directly, ourselves," Eves said.

The Made-for-Ontario income tax system first announced in the 2000 Budget would allow the province to implement this and other taxation policies specific to Ontario. It would also establish provincial income tax rates and eliminate "bracket creep."

"It is Ontario's view that the benefits of a Made-for-Ontario income tax system can be achieved within a single tax administration system. Ontario requires a system of tax administration that is flexible and responsive to the needs and demands of the Ontario economy and the Ontario taxpayer," Eves said.

Other highlights of the Fall Statement include:

- An extra \$516 million in-year investment for health care.
- Ontario's GDP rose 6.1 per cent in 1999 – more than the growth of the rest of Canada, any other Province, the United States or any G-7 country.
- Ontario has created 184,000 new jobs in 2000 compared to the same period in 1999.
- Release of the first SuperBuild Corporation Progress Report.

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